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HARVARD

RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

Vol. V, No. 3 November 7, 1980

INDUSTRIAL PRODUCTION FOR THE FIRST NINE MONTHS OF 1980

Product	Jan.-Sept.80	% of 1st 9 mos. of 80 over 79
Electricity (bil.kw.)	948	105
Petroleum (Including gas condensate mil. tons)	450	103
Natural gas (bil.cu.m.)	321	107
Coal(mil.tons)	536	99.3
Steel(mil.tons)	112	100.2
Fertilizer (mil.tons)	78.8	111
Computer Technology(bil.rubles)	3.3	115
Watches (mils.)	49.5	103
Radios (mils.)	6.4	102
Television sets (mils.)	5.6	103
Paper(mil.tons)	4.0	100.9
Cement(mil.tons)	94.1	103
Meat (mil. tons)	6.6	95
Motor Vehicles cars(1000s)	992	101
trucks	590	102
Tractors(1000s)	414	101

TROUBLE PERSISTS IN THE TRACTOR INDUSTRY

According to the production figures for the first nine months of 1980, Soviet tractor production in September 1980 was only 61% of what it had been in September 1979. In other words, in September 1980, the Soviets produced 45,000 tractors, whereas in the comparable month of 1979, they produced 74,000. This seems to affirm the difficulties we reported in the October Newsletter. As we reported then, this drop in production may be attributed to either strikes or to a diversion of resources to support the fight in Afghanistan, in particular for the conversion of tractor production to tank production.

In contrast, automobile production seems to have increased in September 1980 over September 1979 by a slim margin of 1%. In September 1980, the Soviets produced 111,000 automobiles compared to 106,000 for the preceding year. Overall automobile production for the nine months is up 1%.

We made the statement in our last Newsletter that the drop in tractor and automobile production was an unprecedented event and had probably never occurred since World War II. Barney Schwarlberg of Brandeis University brought it to our attention that indeed automobile production had fallen before. The last time this had happened was in 1958-59, and similarly in 1950-51. Of course it must be remembered that 1950-51 was during the Korean War period, and therefore a parallel may be drawn to explain why production is falling now during a similar war-time situation.

As for other important industries that we have been watching, meat production in September 1980 was 7% below what it had been in September 1979.

The good news for the Soviets is that petroleum production continues to increase. For September 1980, production was up over 4% of what it had been in September 1979. For the nine months as a whole, production was up 3.4% in the petroleum industry over the comparable nine months of 1979. Steel production was down 4% in September 1980 from what it was in September 1979, but overall production for the nine months as a whole remain about the same.

PRELIMINARY REPORTS ON GRAIN INDICATE SERIOUS PROBLEMS FOR THE SOVIETS

Although the final calculations have not yet been made, preliminary estimates indicate that the Soviets have had a very bad grain crop this year. Indeed, by the time the final field is harvested, the crop may not exceed that of 1979, which was particularly bad. The harvest in 1979 of all grain crops was 179 million tons, and the figure for 1980 is expected to be about 1980 million tons. This is a significant shortfall from the expected 235 or so million tons that the Soviets had hoped to harvest, and the 205 million tons that the U.S. Department of Agriculture was predicting until recently.

Undoubtedly, the shortfall is due to the very wet weather experienced in the western part of the Soviet Union. The reports of serious flooding in the Ukraine suggested to some observers outside the Department of Agriculture that the Soviets were in very serious trouble.

This shortfall in Soviet production raises some important policy questions for the United States. First, do we sell the Soviets the additional grain they will desperately need? If they found it necessary to enter into contracts with the U.S. for the 1979-80 harvest year of 25 million tons (at least until their invasion of Afghanistan provoked us to embargo all but 8 million tons of such sales), their needs this year will be even higher. Because they could not obtain all the grain they needed this past year, they were forced to dip into their reserves. This year, the likelihood is that they will have few if any such reserves to fall back on. In addition, the harvest situation in countries like Canada, Australia, and Argentina is not as good as it was previously. It is unlikely that the Soviets will be able to turn elsewhere, or at least find countries who will be willing to sell the Soviets as much grain as they need. Canada and Australia have indicated that they would not sell the Soviets more than they had prior to 1979.

This puts the United States in a very important bargaining position. In addition, we have just signed an agreement with the Chinese which will require them to purchase 6-8 million tons of grain a year for four years. This is almost like the previous agreement we had with the Soviets, which required the Russians to buy 6-8 million tons for five years. This new Chinese agreement will go a long way towards providing American farmers with the orders they need - in the same way that the Soviet agreement did before - and will reduce the internal political pressure within the U.S. to sell to the Soviets.

The question is, therefore, what do we do with the Soviets? Their five year agreement to purchase grain from the United States expires this year. Do we renew that, or do we say that we will not sign such an agreement nor sell them the grain they need this year until they withdraw from Afghanistan?

It has often been argued that such embargoes do not work. In the past, that has been true at least partially. But this may be a different year. It is most rare that the Soviets find themselves with two bad harvests in a row. Usually it occurs once every four years. More than that, there seems to be no one else they can turn to. On top of everything else, the embargo this year seems to have had an impact on Soviet meat production. The Soviet Union is located too far north to allow for the production of much corn, and they are therefore very dependent on the importation of corn from the United States or Argentina. Because they have not been able to buy as much corn as they need to feed all their livestock, they were forced to hold a distress slaughtering in January and February of this year. Meat production temporarily went up, but now they are paying the consequences of that action. Meat production is currently about 15% below what it was last year at this time. Not surprisingly, therefore, meat, milk, and dairy products are in even shorter supply than usual.

How will the present harvest affect the Soviet's position in Eastern Europe? Traditionally the USSR has shipped some of its surplus grain to several East European countries to help them supplement local grain production. Its inability to provide this usual help this past year undoubtedly exacerbated the food situation in Poland and in turn was probably one of the factors precipitating the strikes there. For that matter, in May there were

reports that food shortages caused work stoppages in the USSR. It may be more than coincidental that Soviet auto production fell 6% in August, the first time this has happened in over 20 years. Potentially, the Soviets have a serious crisis on their hands. In the interim, without some foreign help available to them, the situation will undoubtedly be even more serious next year at this time, and may extend to not only shortages of meat, but conceivably of bread as well.

This provides us with a golden opportunity. It is true that if our position is presented in too crass or confrontational terms, the Soviets will pull back and boast that if they could withstand a thousand day seige of Leningrad, they can do the same thing now. Nonetheless, the Soviets will have some serious political internal difficulties if they aren't able to supply their population with adequate supplies of food. That should certainly give them some "food" for thought about their foreign stance, and it may very well be that in order to obtain the necessary food supplies, they may decide to reexamine their position and their heretofore rigid attitude about Afghanistan.

CURRENCY FIGURES

Rubles Purchased Per 100:	Oct.79	Sept.80	Oct.80
Aust. shilling	5.07	5.08	5.06
U.K. pound	142.20	154.62	154.57
W. Ger. mark	36.70	36.00	35.79
U.S. dollar	64.35	64.90	64.40
Fr. franc	15.55	15.47	15.41
Jap. yen	.290	.295	.301
Ital. lira	.0797	.0758	.0753
Swiss franc	40.86	38.98	39.13

Currency exchange rates for the Japanese yen and Italian lira show an increase in value for September-October 1980. All other currencies reported here reflect a decrease during this period.

BALANCE OF TRADE - 1ST HALF 1979 AND 1980
(Million Rubles)

	Exports From USSR		Imports To USSR	
	1979	1980	1979	1980
Austria	189	280	164	160
Belgium	182	401	149	176
GB	480	320	399	516
Greece	83	187	40	44
Denmark	107	122	50	39
Italy	518	893	419	429
Netherlands	291	567	128	178
Norway	32	27	23	39
Germany	774	1076	1196	1603
France	485	930	685	937
Switzerland	92	173	151	205
Sweden	197	142	113	132
Japan	354	471	874	907
Subtotal	3784	5589	4391	5365
Sub-Balance of Trade			-607	+224
USA	119	87	963	764
Canada	17	15	113	321
Australia	3	3	144	441
New Zealand	1	1	66	115
Total:	3924	5695	5677	7006
Balance of Trade			-1753	-1311

SOVIETS IMPROVE THEIR BALANCE OF TRADE

The balance of trade figures for the first half of 1980 have been published. The explanation for the improvement is, as before, the increasing price of petroleum, particularly on the spot market. It is fascinating to look at the Netherlands, the main source of the spot market for petroleum. In the first half of 1978, Soviet exports to the Netherlands totalled 122 million rubles. In 1979 that more than doubled

to 291, and virtually doubled again in the first half of 1980 so that the Soviets earned 567 million rubles, which is close to 3/4 billion dollars.

It is also interesting to see the significant jump in exports to West Germany. Exports rose by 300 million rubles. This consists not only of higher priced petroleum, but increased shipments of gas and a higher unit per cubic meter of gas as well.

As a result of their sales in Europe and to Japan, the Soviets were able to show a positive balance of trade. Unfortunately for them, their purchases of grain remained high, and indeed what they were forced to save in their purchases from the United States were more than compensated for by increased purchases from Canada, Australia, and New Zealand. Consequently overall they still had a deficit of 1.3 billion rubles for the first half of 1980, but that was a considerable reduction from the same period of the preceding year. Overall, therefore, the Soviet Union continues to benefit from the raising price of energy.

ARDEN HOUSE CONFERENCE

As we mentioned in the October Newsletter, the Russian Institute at Columbia and the Russian Research Center at Harvard are about to resume the holding of the Arden House conferences. This fifth conference will be held at the former Harriman Estate in Harriman, New York, beginning Friday evening, March 13, and running until Sunday noon, March 15.

The overall theme of the conference this year is "A Review of U.S.-Soviet Relations Including Afghanistan, Poland, and a New Five-Year Plan." The panel members and speakers have been invited, and we hope to have the formal speakers list available shortly. Among the panel themes are the following: Some Thoughts on U.S.-Soviet Relations: Past & Future; The Soviet Union, Its East European Allies & the International Scene; The Soviet Stance in the Middle East, Asia and Africa; The 11th Five-Year Plan: Consequences for Soviet Economic Development and Soviet Foreign Trade; The Cost/Benefit of the Afghanistan Trade Embargo; U.S.-Soviet Relations After the Election; Joint Ventures in East Europe; and Prospects for Trade in the 11th Five-Year Plan.

The Russian Research Center takes no official stand on any economic or political matter. The views and analyses expressed in this Newsletter are those of the authors directly associated with the article in question; and unless otherwise stated, with those of the editor, Marshall I. Goldman.

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RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

Vol. V. No. 4

December 8, 1980

ENERGY IN THE SOVIET UNION

Geologists, energy specialists and oil industry representatives gathered in Cambridge last month for a conference on Energy in the Soviet Union. The geologists, James W. Clarke, and Arthur A. Meyerhoff, opened with presentations outlining the enormous reserve potential for both oil and gas in the Soviet Union and all agreed that the problems in proving and developing this potential would be very large.

The conference centered on the current debate over how successful the Soviets will be in producing enough oil to meet their increasing needs and those of their satallites. David Jackson of the CIA outlined the reasoning behind their conservative projection that the Soviets will not be able to hold output near 12 million barrels per day through the mid 1980's unless they find another supergiant field and can bring it on line soon enough. Their observations include the shortfall in necessary exploratory drilling needed to maintain discovery rates, depletion of older producing fields, technological constraints and severe geographic conditions. This coupled with demand projections leads them to expect an energy crunch in the Soviet Union sooner rather than later.

A less pessimistic outlook for the shortrun was put forward by Marshall Goldman and Robert Campbell. In their view there were also substitution possibilities and enhanced recovery potential. It might also be possible to introduce economic incentives which encourage the export of petroleum, and the moderation of domestic demand.

Finally, oil industry representatives, James Giffen of Armco International, Owen Thomas of Phillips Petroleum, and R. E. Bob Carlile of Petty-Ray Geophysical Geosource, outlined the ways in which western oil companies can provide needed equipment and technological assistance. They emphasized that western European and Japanese competitors are not as adversely constrained by the political climate and trade policies of their governments. The oil and gas potential of the People's Republic of China was also briefly discussed and industry representatives compared their experiences in negotiating with trade officials in both countries.

Robin Meigel

ARDEN HOUSE CONFERENCE

We plan to send out the full program and application form for the fifth Arden House Conference during the first week in January. As mentioned earlier, the Conference will be held at the former Harriman estate in Harriman, New York, beginning Friday evening, March 13th, and running until Sunday noon, March 15th. The fee this year should be approximately $300. We have enclosed with this Newsletter a list of the topics that will be discussed at the Conference. We urge you to set aside the time and to mark your calendars now.

FLASH

Just as we were about to send this off to the copy center, Western newspapers reported the Soviets had released a draft of the 11th Five Year Plan. We will have to wait until the plan itself arrives in Cambridge before we can make any elaborate statement. But for those who have not seen the early reports, one of the most interesting figures showed that oil output was to increase to 630 to 645 million tons by 1985. While it remains to be seen if that figure is reached (that was almost the same range set out for fulfillment in 1980 (620-640 . in other words, the 1980 goal has been put off to 1985), the important point is that the Soviets clearly do not forsee the same sharp fall in petroleum output predicted by the CIA. According to the CIA, output in 1985 should fall to 500 or conceivably 400 million tons from the 606 million tons this year.

More next month.

INDUSTRIAL PRODUCTION FOR THE FIRST TEN MONTHS OF 1980

Product	Oct. 1980	Jan.-Oct.80	% of 1st 10 mos. of 80 over 79
Electricity (bil.kw.)	110	1058	105
Petroleum (Including gas condensate (mil. tons)	51.5	501	103
Natural Gas (bil.cu.m.)	37.4	358	107
Coal(mil.tons)	59.7	596	99.3
Steel(mil.tons)	12.4	124	99.9
Fertilizer (mil.tons)	8.2	87.1	111
Computer Technol. (bil.rubles)	.4	3.6	114
Watches (mils.)	5.8	55.3	103
Radios (mils.)	.7	7.0	100.4
Television sets (mils.)	.6	6.2	103
Paper (mil.tons)	.5	4.4	101
Cement (mil.tons)	10.3	104	102
Meat (mil.tons)	.9	7.0	95
Motor Vehicles cars (1000s)	113	1105	100.6
trucks(1000s)	66.4	656	101
Tractors	46.9	461	100.4

SOVIET PRODUCTION CONTINUES TO FALTER

The Soviets continue to have difficulty, not only in meeting their targets for 1980, but in producing more in certain key industries in 1980 than they did in 1979. Production for the first ten months of the year in the coal, steel, some chemical industries, railroad car, meat, sausage, and refrigerator industries was below what it was for the corresponding ten months of 1979. In addition, automobile production for the month of October 1980 compared to October 1979 was approximately 3% lower than it had been in the previous year. Tractor production, while not down as much as we reported in the November Newsletter, nonetheless was down about 5% over the corresponding October.

The only good news was that meat production for the month of October 1980 was the same as it was in October 1979, although as indicated above, overall meat production is down about 5% for the whole ten month period.

Similarly, oil production continues to increase. For the first ten months of 1980, it was up 3% over the corresponding period of time. That is an increase of 15 million tons. If the Soviets produce as much in November and December 1980 as they did in the similar months of 1979, their output for the year will reach at least 601 million tons or 12 million barrels a day. The likelihood of course is that they will produce a few more tons.

CURRENCY FIGURES

Rubles Purchased Per 100:	Nov. 79	Oct. 80	Nov. 80
Aust. shilling	5.07	5.06	4.92
U.K. pound	138.05	154.57	159.42
W. German mark	36.28	35.79	34.80
U.S. dollar	65.40	64.40	66.00
French franc	15.55	15.41	15.03
Japanese yen	.278	.301	.310
Italian lira	.0788	.0753	.0736
Swiss franc	39.22	39.13	38.66

The currency figures as quoted by Gosbank for the month of November 1980 show an increase in value for the British pound, the U.S. dollar, and the Japanese yen. All other currencies reported here decreased in value from the preceding month.

ODDS AND ENDS

As part of its energy conservation campaign, the Soviet Union has announced that it is adopting a daylights savings plan. It is a little hard to see just what that will accomplish given the extremities in the sun's appearance over the Soviet Union, but beginning April 1, 1981, the Soviets will set their clocks ahead, and reverse them on October 1, 1981.

Reflecting the apparent underproduction of grain and the ragged distribution pattern, there was a rumor of a general strike in the port city of Odessa in late October and early November. This report comes from American visitors to the Ukraine. The rumored strike was reportedly settled when the government rushed in extra deliveries of food.

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HARVARD

RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

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INDUSTRIAL PRODUCTION FOR THE FIRST ELEVEN MONTHS OF 1980

Product	Nov. 1980	Jan.-Nov.80	% of 1st 11 mos. of 80 over 79
Electricity (bil.kw.)	112	1170	104
Petroleum (Including gas condensate)(mil.t.)	50.1	551	103
Natural Gas (bil.cu.m.)	37.5	396	107
Coal(mil.tons)	56.9	653	99.4
Steel(mil.tons)	11.7	136	99.6
Fertilizer (mil.tons)	8.2	95.3	111
Computer Technol. (bil.rubles)	.4	4.0	113
Watches (mils.)	5.3	60.6	102
Radios (mils.)	.6	7.7	99.6
Television sets (mils.)	.6	6.8	103
Paper (mil.tons)	.4	4.9	101
Cement (mil.tons)	10.4	115	102
Meat (mil.tons)	.7	7.7	95
Motor Vehicles			
cars(1000s)	101	1206	100
trucks(1000s)	60.1	717	100.7
Tractors	43.4	505	99.7

INDUSTRIAL PRODUCTION FOR THE FIRST ELEVEN MONTHS OF 1980

With the year coming to a close, there do not seem to be too many surprises. Coal and steel production so far for 1980 were below the levels achieved in 1979, which in turn were below the levels achieved in 1978.

Oil production for the whole eleven months is up 3% over the corresponding period, although for the month of November, production was up only 2%.

Tractor production, as we mentioned for the last several months, is still suffering some problems. Production for the month of November is 7% below what it was for the month of November 1979. Similarly, meat production for November 1980 is 12% below what it was in November 1979. For the whole eleven month period, meat production is down 5%.

As a final comment, it should be noted that if the Russians manage to produce as much petroleum in December 1980 as they did in December 1979, they will have produced 602 million tons of petroleum for the year. In any event, from December 1, 1979 to December 1, 1980, they have been producing at a rate over 600 million tons, which is equivalent to 12 million barrels a day. That was a record the CIA thought the Soviets would never attain.

FIGURES AND THE FIVE-YEAR PLAN

As we mentioned in last month's Newsletter, the preliminary figures for the Five-Year Plan extending to 1985 have been released. Or more properly we should say, some of the figures have been released. One of the striking things about the preliminary figures is that there are a large number of omissions. That seems to reflect the fact that the overall targets are not as impressive as the Soviets have been showing in the past. For example, the figures for the growth in the national income, as reflected in the Soviet definition of Soviet income, is to grow by 18%-20% over the five years. That represents less than 3% a year.

Even more striking is the fact that the Soviets did not publish the 1985 figure for steel. This is one of the few times that figure has been omitted. Similarly, they did not publish any statistics for automobiles or trucks. In the past, such omissions were usually a sign that the figures were either negative or very low. The Soviets don't like to publicize such shortcomings. It is entirely possible that when the final version of the plan is published, such figures will be forthcoming. For the time being, however, there is nothing but silence.

On a more optimistic note, the Soviets show that electricity output in 1985 is due to rise to 1550-1600 kilowatt hours. That represents 25%-34% increase from the 1979 output. Interestingly, the Soviets expect that by the end of the next five year period, nuclear energy will constitute 220-225 million kilowatt hours of that output. That will constitute about 14% of total electricity production. Similarly, hydro-electricity will account for another 14%-15%.

Oil output, as we mentioned in last month's Newsletter, is to reach 620-645 million tons. If the outer limit is reached, that will be a bit more than was projected for 1980 during the Tenth Five-Year Plan. That represents an increase in output of about 6%-10% from the 1979 level. Natural gas output will rise about 600-640 billion cubic meters. That represents 47%-57% increase over 1979 production. The only other commodity whose production is to increase by a similar percentage is mineral fertilizers, and that seems to reflect the bad agricultural situation.

Coal output is to increase from 7%-11% over 1979, although in recent years coal output has actually been decreasing. Finally, as we mentioned earlier, the Soviets did not publish a figure for steel production, but they do show an increase in output of rolled steel of about 14%-17% over the 1979 figure. Overall, the next five years do not promise to be especially exciting for Soviet planners.

THE SOVIET UNION SHOWS A SURGE IN THE TRADE SURPLUS FOR THE FIRST NINE MONTHS OF 1980

As the table shows, the Soviet Union seems to have made a significant improvement in its trade balance for the first nine months of 1980. That shows up in a particularly striking way in looking at the trade figures for Western Europe and Japan. Whereas in 1979, the trade surplus for those countries amounted to 600 million roubles, the trade surplus more than doubled for the first nine months of 1980. Undoubtedly that was due to the higher energy prices for 1980. The prices began to rise in 1979, but the full impact has certainly taken effect in the more recent year. It is particularly interesting to look at the exports from the Soviet Union. As Great Britain has become more self-sufficient in energy, it has had less need to import from the Soviet Union. Consequently, Soviet exports to Great Britain fell from 723 million rubles in 1979 to 560 million rubles in 1980. Soviet exports to Norway dropped in a similar fashion. With the exception of Sweden and Denmark, Soviet exports rose significantly to all the other countries listed. The largest jump in terms of rubles was the increase in exports to France and Italy. Exports to both countries jumped by over 600 million rubles. Both are major importers of petroleum and natural gas. Exports to West Germany rose by almost 450 million rubles. Again, Germany is a major importer of natural gas and petroleum from the Soviet Union.

The impact of the Afghanistan invasion seems to have affected Japanese exports to the Soviet Union. The Soviet Union barely increased its imports from Japan in the first nine months of 1980 over 1979. In contrast, imports from West Germany increased by 400 million rubles and imports from France increased by about 300 million rubles.

Because of the restrictions imposed on grain exports to the Soviet Union by the United States, Soviet imports from the United States dropped by about 800 million rubles. That seems to have been made up by increased imports from Canada of about 400 million rubles, and 300 million rubles from Argentina. Similarly, imports from Argentina rose by about 660 million rubles.

The jump in grain imports for 1980 had the effect of wiping out much of the trade surplus established with Western Europe and Japan, but not all. Thus, the balance of trade did show about a 300 million ruble improvement from the Soviet perspective. It would have been much worse without the surge in energy prices.

CURRENCY FIGURES

Rubles Purchased Per 100:	Dec. 79	Nov. 80	Dec. 80
Aust. shilling	5.17	4.92	4.92
U.K. pound	140.80	159.42	158.00
W. Ger. mark	37.00	34.80	34.80
U.S. dollar	64.40	66.00	66.50
French franc	15.75	15.03	14.94
Japanese yen	.260	.310	.310
Italian lira	.0788	.0736	.0729
Swiss franc	40.00	38.66	38.43

The currency figures for December 1980 as quoted by Gosbank show that only the U.S. dollar rose in value from the preceding month. The Austrian shilling, the West German mark, and the Japanese yen remained at the same value; all other currencies reported here dropped in value from November 1980.

ARDEN HOUSE CONFERENCE

Formal notices for the Arden House Conference scheduled for March 13-15 will be sent in the mail in the next week or so. Be sure to watch for it. We have already received several applications based on our previous announcements.

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Balance of Trade Jan.-Sept. 1978, 1979 and 1980

(Million Rubles)

	Exports From USSR			Imports To USSR		
	1978	1979	1980	1978	1979	1980
Austria	290	333	433	198	249	261
Belgium	348	382	612	172	205	263
GB	586	723	560	477	579	727
Greece	149	146	291	56	53	66
Denmark	140	194	187	29	61	53
Italy	829	854	1467	622	615	648
Netherlands	208	611	888	117	178	274
Norway	43	59	37	25	36	54
Germany	1011	1391	1839	1472	1718	2264
France	621	928	1577	754	930	1236
Spain	80	103	175	75	99	109
Switzerland	152	213	297	174	204	301
Sweden	218	368	256	141	165	242
Japan	531	636	715	1272	1218	1265
Subtotal	5206	6941	9334	5584	6320	7763
Sub-Balance of Trade				-378	+621	+1571
USA	179	218	99	1411	1724	882
Canada	21	25	21	560	217	614
Australia	4	4	4	219	227	589
New Zealand	2	2	2	34	87	148
Argentina	11	21	27	286	229	891
Total	5423	7211	9487	8094	8804	10887
Balance of Trade				-2681	-1693	-1400

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RUSSIAN RESEARCH CENTER

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INDUSTRIAL PRODUCTION IN THE SOVIET UNION IN 1980

The production statistics for the Soviet Union for 1980 have now reached the United States. If we can be forgiven for even suggesting it, production in the Soviet Union in 1980 had its ups and downs. In several areas of production, conditions were better than they were in 1979. In the case of electricity, for example, production was up 5%. Considering that production had only increased by 3% in 1979, that is a significant increase. Similarly, in the case of petroleum, overall output was increased by 3% to 603 million tons. That was an improvement over the 2.4% increase in 1979. In absolute terms, that meant an increase in output of 17 million tons. That was not as much as the 606 million tons that had been planned for 1980; however, it is better than the 14 million ton increase reported in 1979 over 1978. The overall goal is still beneath the original Tenth Five-Year Plan target specified in 1976 for the year 1980, but it is a reasonable achievement. Other accomplishments include a jump in fertilizer production of 10% over 1979. That may not be as impressive as it seems on the surface, given the fact that fertilizer production in 1979 fell 4% from what it had been in 1978.

Disappointments include the fact that coal and steel production continued to fall from levels attained in the preceding year. That is a continuation of the pattern that began in 1979 over 1978. Also upsetting is the fact that meat production was 2% below what it had been in 1979.

The grain harvest in 1980 increased to about 189 million tons or by about 10 million tons over the preceding year. That was a bit better than preliminary reports indicated would be the case. Most of that increase was in increased production of wheat. Similarly, cotton production increased as did sugar beet production. What undoubtedly was painful, however, was the fact that sunflower production dropped by about 13% from the preceding year, and more important than anything else, potato production dropped by more than 25%. That was not only a fall in the target, but it indicated that a very important component of the Soviet diet must have been in short supply. Retail sales of potatoes fell by 7%. One should bear in mind, however, that this only reflects the sales in the state stores. What is missing are the sales from the peasant markets. Undoubtedly the peasant markets were similarly affected. As in Ireland, the disappearance of potatoes is a very serious situation.

As we did last year, we have also included figures for retail sales increase. For the most part, sales increased at a reasonable rate. Overall retail sales volume in the government and cooperative stores that are run by the government rose by 5.3%. There may be an index number problem with this figure because the sales of individual items don't seem to show that much growth. But even though a 5% increase in retail sales is something to be pleased with, the Soviets must have been disappointed by the fact that deposits in the savings banks increased even more, by 6.8%. That suggests that consumers are still not being satisfied in the Soviet Union.

Finally it should be noted that foreign sales volume (the way the Soviets record it, that includes both exports and imports) increased by 14%, a significant increase.

It should be remembered that while these increases would on the whole look good from the perspective of someone whose country may be experiencing a

recession, from the Soviet point of view, they nonetheless must be disappointing. What must be remembered is that 1980 was the last year of the 10th Five-Year Plan. It is worthwhile comparing actual performance with the stated goals as announced in 1976. Electricity production was to increase to 1.34 to 1.38 billion kilowatts. As we saw, it was closer to 1.3 billion kilowatts. Similarly, petroleum production was to increase to 620-640 million tons, but production reached only 603 million tons. Natural gas production was to grow between 400-435 billion cubic meters. Interestingly enough, the Soviets managed to fulfill that maximum variant of the target. In contrast, coal production, which was to reach 790-800 billion tons with the variant of 805 ultimately chosen, fell far below target since production reached only 716 million tons. In other words, they were off by almost 100 million tons. In the same way, steel production was to reach 160-170 million tons with a goal ultimately selected of 168.5. In contrast, production reached only 148 million tons, 20 million tons short of the goal. Mineral fertilizer production was to increase to 143 million tons, and fell 39 million tons short of the goal. Cement production was to reach 143-146 million tons, but the Soviets were able to produce only 125 million tons, another significant under-fulfillment. Truck production was to reach 800-825 thousand vehicles, but only 787 thousand were produced.

In agriculture, the situation was equally if not more disappointing. Grain production was to average 215 to 220 million tons a year. As we saw, actual output was only 189 million tons, over 25 million tons below target. Meat production, strangely enough, did actually reach a lower variant of the initially projected target of 15 million tons. Nonetheless there is still reason to believe that the Russians were quite unhappy with what was actually achieved. Clearly they would have preferred to have had a greater increase not only in food products, but in industrial products. All things considered, given the size of some of the production shortfalls in so many industries, the Soviets did relatively well in the petroleum industry.

While we won't make a detailed analysis of all the retail sales figures, it is interesting to see that meat production fell by 2% in 1980, whereas retail sales in state stores and government cooperative stores rose by 3%. This suggests that the Soviets must have imported a considerable amount. Considering that 1980 was also the Olympics year during which the Soviets did their best to provide consumer goods, that probably is a reasonable supposition. It is worth noting that fish sales increased by 12%. This undoubtedly was an effort to offset the shortages in meat production.

Overall the Soviets say their national income increased by 3.8%. While it is a little hard to understand how they reached that figure, given so many of their problems, it is nonetheless a sharp drop from preceding years. Moreover, there seems to be little which indicates that the years ahead are probably going to be less difficult for Soviet indusry.

ARDEN HOUSE CONFERENCE ANNOUNCED MARCH 13-15

By now, all of you should have received both the Program and the application blank for the Arden House Conference which is scheduled for March 13th to 15th. Given the interest that has been shown, we expect a full house. Since the facilities at Arden House are limited, we urge those of you who have not already sent in your application to act immediately. In case you have misplaced it, we have enclosed another application blank. If you would like more information, or the Program itself, please let us know and we will be happy to send you one.

INDUSTRIAL PRODUCTION FOR THE 12 MONTHS OF 1980

Product	Jan.-Dec. 1979	% of 12 mos. 79 over 12 mos. 78	Jan.-Dec. 1980	% of 12 mos. 80 over 12 mos. 79
Electricity [bil. kw. hours]	1239	103	1295	105
Petroleum (Including gas condensate) [mil. tons]	586	102.4	603	103
Natural gas [bil. cu. m.]	407	109	435	107
Coal [mil. tons]	719	99	716	99.7
Steel [mil. tons]	149	99	148	99.2
Fertilizer [mil. tons]	94.5	96	104	110
Computer Technology [bil. rubles]	3.9	118	4.5	114
Watches [mils.]	64.5	102	66.7	103
Radios [mils.]	8.5	99	8.5	100
Television Sets [mils.]	1.8	101	2.3	125
Paper [mil. tons]	5.2	95	5.3	100.7
Cement [mil. tons]	123	97	125	102
Meat [mil. tons]	15.5	100	15.1	98
Vegetable Oil Prod. [mil. tons]	2.8	93	2.6	94
Motor Vehicles	2173	101	2199	101
cars [100's]	1314	100	1327	101
trucks [100's]	780	102	787	100.9
Tractors	46.6	97	47	100.8
Grain	179	76	189.2	106
Wheat	90.1	75	98.1	109
Rye	8.1	60	10.2	126
Corn	8.4	93	9.7	115
Rice	2.4	114	2.8	117
Cotton	9.16	108	9.96	109
Sugar beets	76	81	79.6	105
Sunflower	5.37	101	4.65	87
Potatoes	90.3	105	66.9	74
Vegetables	25.8	98	25.9	100

INCREASE IN SALES OF GOODS AT STATE AND COOPERATIVE STORES

	Percent Increase	
	1979 over 1978	1980 over 1979
Bread Products	101	102
Meat & Meat Products	102	103
Fish & Fish Products	100	112
Butter	101	101
Margerine	104	106
Cooking Oil	102	107
Cheese	103	99
Eggs	104	106
Sugar	100	108
Confectionary Prods.	107	104
Tea	106	111
Potatoes	108	93
Vegetables	109	98
Fruit & Citrus Frt	106	98
Clothing	105	106
Leather Shoes	105	106
Dishware	108	109
Soap	113	109
Furniture	104	106
Ice-Refrigerators	99	97
Washing Machines	99	101
Vacuum Cleaners	98	102
Watches	104	101
Photographic Equip.	110	99
Motorcycles	104	100
Bicycles	100	100
Radios	101	98
Televisions	95	101
Colored T.V.s	130	132
Automobiles	101	102

CURRENCY FIGURES

Rubles Purchased Per 100:	Jan.80	Dec.80	Jan.81
Aust. shilling	5.170	4.920	4.790
U.K. pound	142.540	158.000	162.200
W. German mark	37.170	34.800	34.100
U.S. dollar	63.950	66.500	67.800
French franc	15.940	14.940	14.700
Japanese yen	.268	.310	.333
Italian lira	.0795	.0729	.0717
Swiss franc	40.00	38.430	37.700

The currency exchange rates reported by Gosbank for the month of January 1981 show that only the British pound, the Japanese yen, and the U.S. dollar increased in value. All other currencies reported here decreased. This breakdown is also true in comparing the currency rates of January 1980 to January 1981.

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HARVARD

RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

Vol. V No. 7

March 4, 1981

INDUSTRIAL REPORT FOR THE FIRST MONTH OF THE 11TH FIVE-YEAR PLAN

The industrial production statistics for January 1981 have now been released by the Soviet Union. Overall they indicate more good than bad news. For example, compared to all of 1980, when coal and steel production fell, for January 1981, coal production was up 2% and steel production was up 3%. Since there was one less working day in January 1981 than in January 1980, that on the whole is good news. Similarly, gas production in January 1981 was up 8% over the preceding year.

It is neither good nor bad news, but oil production was up 2%. Given the fact that the overall plan for 1981 is somewhat less than 1%, that is encouraging, especially since January is never the best month for the Soviet Union. At the same time a year ago, petroleum production in January 1980 over January 1979 was up 3%. In a sense then, that is a dropoff in the rate of growth, although in December 1980 over December 1979 (in other words, the month immediately preceding January 1981), production was up only 2%.

There is some disappointing if not outright bad news. Electrical production was up only 2%. For the year as a whole in 1980, it was up 5%. In other words, this represents a rather sharp drop. It may look like good news, since meat production is reported to be 3% higher in January 1981 than it was in January 1980, but the Soviets also show that butter and fat production is down 7% over what it was the preceding year, and they have completely omitted the figure for milk, which is usually included in the monthly report. Equally interesting, tractor production is up a bit for January 1981, but automobile production is slightly less in January 1981 than it was a year ago. Truck production is down 4%.

INDUSTRIAL PRODUCTION FOR JANUARY 1981

Product	Jan. 1981	% of Jan.81 over Jan.80
Electricity (bil. kw. hrs)	125	102
Petroleum (Including gas condens. mil. tons)	51.6	102
Natural Gas (bil.cu.m.)	40.2	108
Coal (mil.tons)	63.3	102
Steel (mil.tons)	13.0	103
Fertilizer (mil.tons)	2.3	104
Metal-Cutting Tools (mil. rubles)	159.0	105
Computer Technology (mil. rubles)	369.0	109
Watches (mils.)	5.6	103
Radios (1000s)	678.0	99.8
Television Sets (1000s)	623.0	101
Paper (1000 tons)	465.0	103
Cement(mil. tons)	10.6	104
Meat (1000 tons)	827.0	103
Margarine (1000 tons)	121.0	106
Motor Vehicles (1000s)		
cars	113.0	99
trucks	65.8	96
Tractors (1000s)	47.7	101

FEBRUARY 9TH CORPORATE SPONSOR SEMINAR

On February 9, 1981, the Harvard Russian Research Center sponsored a Conference on current developments in Eastern Europe. It was pointed out that two tendencies are disturbing in the Western coverage of the Polish strikes. First, there has been too much optimism. For example, Poles are quoted as saying, "We will go beyond the Hungarian model." Unfortunately, facts do not support this claim, nor does it appear that Moscow would permit it. Second, there has been a preoccupation with Solidarity and its escalating demands. This creates the impression that the unions and labor unrest are preventing an economic turnaround. As a result, the Western media is ignoring the fundamental problems of the Polish economy which have given rise to the current situation.

Labor unrest is a manifestation of a deeper problem. In responding to the strikes and work stoppages, the Polish government is dealing with symptons rather than causes. Whether there is a six, five, or four day work week will not change the fact that there is a lack of power generation capacity in Poland. As a result of frequent brown and black-outs, Polish machines and workers are often idle in the factories. In 1979, peak energy demand exceeded supply by 36%. Until fundamental changes in the Polish economy occur, marked improvement is unrealizable. The real problem lies with inefficiency and mismanagement.

What in fact is taking place in Poland is the undoing of the "social contract." A tacit agreement emerged in Eastern Europe after the death of Stalin where the ruling parties promised to increase the material conditions of its citizens. In return the peoples of Eastern Europe had three obligations: 1) Not to challenge the internal political system directly; 2) Not to challenge the external system, that is, alliance with the Soviet Union; and 3) To go to work and perform one's job (though it was not necessary to work very hard -- at least no harder than in the past). The people of the region, therefore, agreed to live an apolitical existence in exchange for stability and improved material conditions.

The Polish regime can no longer fulfill its part of the bargain. It cannot improve the living standards of its people every year. In fact, a great deal of the recent improvement in the Polish economy was obtained at the cost of a large foreign debt. The Polish workers are unwilling to accept austerity. But is the social contract renegotiable?

What is most noteworthy about the current situation in Poland is the collapse of the crucial pivot of the Polish social structure, the Party. The Polish United Workers' Party before the strikes numbered three million members, but roughly one-third of the Party's rank and file are also members of Solidarity. The Communist Party in Poland appears to be losing its workers' element, its proletariat.

The impact of the events in Poland on the working class within the rest of East Europe has been surprisingly small. Furthermore, the influence of the labor unrest on the other countries of the region has been minimal. There have been delays in the delivery of goods from Poland to their CMEA trading partners and some questions about the future reliability of the Poles as trading partners are probably being asked, but overall there has not been a tremendous effect in this area. The responses of the other governments of the region have been varied. The Czechs and the East Germans have been very critical of Solidarity. Both would prefer a harder line be taken by the Polish government. The Hungarians have responded by praising their own unions, claiming proudly, "We have decentralized without anarchy." The Romanians have been critical of the unions. But at the same time they are anti-union, they are also very strongly anti-Soviet intervention.

What is likely to happen in Poland in the future? Professor Adam Ulam, Director of the Russian Research Center, made the following remarks in response to this question:

The Soviets are not dealing with a brief interruption by some seditious people as in Hungary in 1956, nor is it the case of a movement organized by the Communist leadership itself as in Czechslovakia in 1968. Those situations could be solved or the problems eliminated with the limited application of force or a change of leadership in the satellite government. In the case of Poland today, we have quite a different situation. The adequacy of symbolic occupation as was the case in Prague in 1968, is out of the question. If the Soviets were to intervene, one suspects that there would have to be a sizable Soviet garrison in every major Polish industrial town. Such an action probably does not arouse a great amount of enthusiasm on the part of the Soviet Union and its allies. Furthermore, there would be a great economic cost to the intervention. In Stalin's day, one could shoot a large group of people and motivate the rest by fear. Today, that seems less feasible or acceptable. The question remains, once the Soviets occupy Poland, how can they feed the Polish population or get the Polish workers to work? Running the Polish economy in the face of a hostile working class would prove to be next to impossible. Additionally, Western loans to Poland would probably dry up; but it must be noted that the Western Europeans, particularly the West Germans, are very anxious over the state of their own loans to the Poles, and they are unlikely to do anything that would endanger getting back their money. As one person put it, "If the Soviets invade Poland, it will probably put back detente two weeks." The preparations made by the Soviet military and the visits to Warsaw of Soviet military officials is probably more a result of posturing and a desire to intimidate the unions within Poland, than an indication that they are planning on invading. If they were to invade, they are unlikely to advertise it in advance. However, if decisive action is not taken, the Soviets will risk a further deterioration of the Communist Party in Poland. Also, there is a danger of a sort of domino effect throughout Eastern Europe of labor unrest that might spread. Taking issue with some of the opinions expressed here today, Ulam felt that the other ruling parties are very concerned about the events in Poland and fear its effect on their own working classes.

What is the Soviet Union to do? The best advice for them is to wait until the mess ripens and hope for an emergence of people within the Party and the unions who favor a return to order. The amazing aspect about the situation has been the absence of violence accompanying the strikes. The Soviets should wait to intervene in Poland until there is an internal clash between the polarized elements of the society. If the Polish party leadership and the union heads do not sober up, there at least might be some pretext for intervention. Additionally, with further chaos in Poland, the West's patience with the unions is decreasing, and the West Europeans in particular want a return to stability. Thus Soviet intervention in the future may have a lower price-tag than today. Whatever the Soviets choose to do, a Finnish solution might be in their best interests. Finland is within the Soviet sphere of interest and is very respectful of Soviet foreign and defense policy. On the other hand, it preserves internal freedom and democracy, but the Soviets do not have to worry about Finnish economic troubles, and in fact Finland has proved to be a very useful and reliable trade partner for the Soviet Union. In retrospect, the Soviet leadership probably regrets that they chose to impose Communist systems throughout Eastern Europe, with its high economic and political cost, rather than allow a situation to evolve similar to that of Finland.

Ethan Burger

CURRENCY FIGURES

Rubles Purchased Per 100:	Feb.80	Jan.81	Feb.81
Aust. shilling	5.130	4.790	4.630
U.K. pound	144.900	162.200	164.800
W. German mark	36.860	34.100	32.620
U.S. dollar	63.950	67.800	71.000
French franc	15.750	14.700	14.150
Japanese yen	.267	.333	.344
Italian lira	.0792	.0717	.0696
Swiss franc	39.590	37.700	35.850

The currency exchange rate for the U.S. dollar showed a marked increase from January to February 1981. The U.K. pound and Japanese also increased in value during February. All other currencies reported here decreased in value.

ARDEN HOUSE

Arden House promises to be a sell-out this year. Over 85 specialists have signed up - a record! By the time this Newsletter is delivered, we will probably have had to set up a waiting list. For those who have failed to sign up in time, we hope to have a Sixth Annual Arden House Conference sometime in March 1982. In the meantime, you may be interested in our third and final Corporate Sponsor Seminar of the year. It is entitled, "The 11th Five-Year Plan: Reflections on the Past and Implications for the Future." A copy of the Program and the Enrollment Form are enclosed with this Newsletter.

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HARVARD

RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

Vol. V, No. 7 April 2, 1981

INDUSTRIAL PRODUCTION FOR FEBRUARY 1981

Product	Feb. 1981	Jan.-Feb.81	% of Jan.-Feb. 1981 over Jan.-Feb. 1980
Electricity (bil.kw. hours)	114	238	100.6
Petroleum (including gas condensate) (mil. tons)	46.6	98.2	100.8
Natural Gas (bil.cu.m.)	36.6	76.8	107.0
Coal (mil.tons)	59.1	122.0	99.5
Steel (mil.tons)	11.9	25.0	99.9
Fertilizer (mil. tons)	2.1	4.4	104.0
Metal-Cutting Tools (mil.rbls)	167.0	325.0	106.0
Computer Tech. (mil.rubles)	381.0	753.0	111.0
Watches(mils)	5.5	11.1	102.0
Radios (1000s)	679	1357.0	99.0
Television sets (1000s)	652.	1276.0	104.0
Paper(1000 tns)	443.	905.0	103.0
Cement(mil.tns)	9.8	20.5	102.0
Meat(1000 tons)	633.	1461.0	97.0
Margerine (1000 tons)	115.	236.0	102.0
Motor Vehicles cars (1000s)	107.	220.0	98.0
trucks (1000s)	64.3	130.0	97.0
Tractors (1000s)	45.4	93.1	100.0

SOVIET INDUSTRIAL OUTPUT FOR THE FIRST TWO MONTHS OF 1981

A glance at the production figures for January and February 1981 show that they are not all that encouraging. There seems to be a significant drop in production in many items from the levels obtained two years ago. This includes not only electricity, but oil, coal, steel, and even automobiles.

It should be remembered, however, that February 1980 was Leap Year. That seems silly, but when you allow for the extra day in 1980, it turns out that production is not all that bad. Thus for the oil industry, instead of showing an increase of .8% for the two months of 1981 over 1980, the figure is closer to 2.5% when figured on a day-by-day basis. Obviously that would also make a difference in some of the other industries, although there is no doubt that production probably dropped off more than was desired. Again, for example, we find the drop in truck and automobile production is not completely explained away by the extra Leap Year day in 1980. Similarly, meat production is down 3% from what it was previously, and that also is of serious concern.

CURRENCY FIGURES

Rubles Purchased Per 100:	March 80	Feb.81	March 81
Austrian shilling	5.13	4.63	4.72
U.K. pound	147.92	164.80	157.00
W. German mark	36.86	32.62	33.45
U.S. dollar	64.75	71.00	70.60
French franc	15.69	14.15	14.20
Japanese yen	.261	.344	.340
Italian lira	.0795	.0696	.0690
Swiss franc	38.89	35.85	36.65

Currency exchange rates for the Austrian shilling, the West German mark, the French franc, and the Swiss franc showed an increase from February to March 1981. All other currencies reported here decreased in value during the month.

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HARVARD

RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

Vol. V, No. 9 May 7, 1981

INDUSTRIAL PRODUCTION FOR THE FIRST QUARTER OF 1981

Product	Jan.-March 1981	% of Jan.-March 1981 over Jan.-March 1980
Electricity (bil.kw.hrs)	359.0	101
Petroleum (incl. gas condensate) (mil.tons)	150.0	101
Natural Gas (bil.cu.m.)	117.0	107
Coal(mil.tons)	186.0	99.7
Steel(mil.tons)	38.1	99.9
Fertilizer (mil. tons)	6.7	105
Metal-Cutting Tools (mil. rubles)	509.0	106
Computer Tech. (mil. rubles)	1.2	110
Watches (mils)	16.9	103
Radios (mils.)	2.1	100.5
Television sets (mils.)	2.0	105
Paper (mil.tns)	1.4	103
Cement(mil.tns)	31.4	103
Meat (mil.tons)	2.1	98
Margerine (1000 tons)	366.0	102
Motor Vehicles (1000s)		
cars	336.0	99.5
trucks	199.0	98.0
Tractors (1000s)	142	100.9

INDUSTRIAL GROWTH FOR THE FIRST QUARTER OF 1981

The Soviet economy continues to grow at a slow and sometimes erratic rate. As we mentioned in our report for February, the figures are a bit hard to interpret because February 1980 had an extra work day because of Leap Year. This tends to make the figures for 1981 look somewhat less impressive. Consequently for the first quarter of the year, for example, petroleum production is listed at only 1.4% higher than it was in 1980. However, for the month of March, production was up 2.5% over March 1980. It turned out, although we did not comment on it at the time, that production in February 1981 was actually lower than it was in February 1980 because of there being only 28 days in February 1981. Nonetheless the daily production rate, as we did comment, did increase.

After the adjustment is made for the Leap Year difference, production figures generally do not look as bad as would appear from first glance at the accompanying table. There does seem to be one exception, however. Meat production does seem to have fallen in 1981 from 1980. Because the figures are rounded off, it is a little hard to tell exactly how much they fell off. But there does seem to be an indication that production fell by considerably more than the 2% indicated in the table for the first quarter. Thus, production in March 1981 may have dropped as much as 14% from what the Soviets reported for March 1980. In any case, there is a drop, and the probability still exists that this is directly the result of the grain embargo, or more properly, the one time grain embargo.

MIXUP IN HEADINGS

For those of you who file the Russian Research Center Newsletters (don't laugh, there are some), you may have noticed that there was a mistake in our recording of the issue of June 1980. Both the May and June issues were listed as Vol. IV, No. 9. We are belatedly

correcting that mistake. Consequently, this issue is labeled Vol. V, No. 9, even though the April 1981 issue is labeled Vol. V, No. 7. Don't ask for a refund of your subscription, you did receive No. 8; it was just misnumbered.

CURRENCY FIGURES

Rubles Purchased Per 100:	April 80	March 81	April 81
Austrian shilling	4.96	4.72	4.72
U.K. pound	145.00	157.00	155.85
West German mark	35.39	33.45	33.13
U.S. dollar	66.23	70.60	71.60
French franc	15.33	14.20	14.04
Japanese yen	.265	.340	.332
Italian lira	.0761	.0690	.0666
Swiss franc	37.69	36.65	36.33

THE DOLLAR INCREASES IN VALUE

The currency exchange rates listed by Gosplan effective as of mid-April 1981 show the dollar at a new high for the year. In fact, the quotation of 71.60 rubles for $100 represents a 12% increase over the lowest dollar value for 1980. The dollar has not been as high relative to the ruble since December 1977.

The Russians say this increase in value is due to the increase in interest rates in the United States. This is the explanation common to Western currency markets as well.

In addition, except for the Austrian shilling, which is quoted at the same price as it was in the preceding month, all the other currencies that we list fell relative to the ruble (and dollar).

COMMENT ON THE ENDING OF THE GRAIN EMBARGO

While there is considerable debate as to whether or not the grain embargo should have been imposed on the Soviet Union after its invasion of Afghanistan, and once imposed, when it should have been revoked, there seems considerably less debate, at least among Soviet specialists, that the present time hardly seems like a good one. On the one hand, to have the Secretary of State criticize the Soviet Union almost daily for its terrorism or expansionism, but then on the other hand, to allow the Soviets to resume importing American grain, does seem to indicate that there is no consistent policy. It seems particularly inappropriate given the fact that the Russians were apparently not asked or committed to make any concession.

There has been a good deal of debate about the effectiveness of the embargo itself. As the accompanying trade figures show, the Soviets certainly stretched themselves and made up for a good portion of what otherwise would have come from the United States by going to Argentina, Canada, and Australia. Even New Zealand seems to have benefited somewhat. What is in question for many observers, although not all, is the timing, not the eventual decision itself. Of course there are many who say that we shouldn't sell our grain at all until the Soviets withdraw from Afghanistan. These critics also argue that even if the Soviets were able to take care of many of their own agricultural needs with imports, they were unable to satisfy all their needs, and in particular, they were unable to make up for some of the needs that as a result went unsatisfied in Eastern Europe. In part, this explains some of the tensions that have developed in Poland, and apparently in some of the other countries as well. What is at issue here, however, is the timing of the decision. In many respects, the inconsistent behavior of the present Reagan administration is exactly the kind of behavior that was so criticized under the Carter administration. There certainly is good reason to wonder whether or not a change in administration has made much difference, at least when it comes to American-Soviet relations.

Balance of Trade 1976, 1977, 1978, 1979, 1980

(Million Rubles)

	Exports from USSR					Imports to USSR				
	1976	1977	1978	1979	1980	1976	1977	1978	1979	1980
Austria	274	352	371	442	580	192	263	272	368	396
Belgium	323	353	408	533	842	218	220	257	286	383
Great Britain	825	958	836	1094	859	408	375	662	811	953
Greece	162	237	189	180	409	62	78	70	65	92
Denmark	155	200	193	301	261	53	50	46	72	80
Spain	165	163	113	152	251	61	63	93	144	152
Italy	1069	1091	1112	1292	2111	709	790	858	863	934
Netherlands	367	399	300	903	1027	175	166	162	243	361
Norway	44	72	59	87	49	57	52	66	51	79
Germany	1178	1343	1498	2218	3096	1977	1780	1969	2485	2989
France	774	820	840	1426	2242	923	904	974	1198	1510
Switzerland	108	153	286	314	445	263	222	225	276	403
Sweden	281	277	312	554	355	259	228	190	223	322
Japan	748	853	736	944	950	1372	1444	1583	1661	1773
Subtotal	6473	7271	7253	10440	13477	6729	6638	7427	8746	10427
Sub-Balance Trade						-156	+633	-174	+1694	+3050
Argentina	9	13	22	25	30	225	193	309	289	1162
U.S.A.	199	272	253	350	151	2007	1262	1599	2487	1352
Canada	42	49	29	32	30	499	368	359	453	972
Australia	3	4	5	5	6	407	325	275	393	775
New Zealand	2	3	3	3	3	79	119	42	114	167
TOTAL:	6724	7612	7565	10855	13697	9946	8905	10011	12482	14855
Balance of Trade						-3218	-1293	-2446	-1672	-1158

THE SOVIET BALANCE OF TRADE FOR 1980 SHOWS MARKED IMPROVEMENT

As the accompanying table shows, the Soviet trade balance for 1980 improved sharply over 1979. Overall, the Soviet trade deficit with hard currency countries was reduced by about one half billion rubles. Indeed, if it had not been for the need to import close to 2 billion rubles worth of grain, the Soviets might have ended up with a trade surplus of close to 3 billion rubles. That would be equivalent, at the official rate of exchange, to about $4 1/2 billion. This trade surplus figure is based on Soviet hard currency trade with Western Europe and Japan. It is only when we add in Argentina, Canada, and Australia that the surplus is eaten away.

The main reason for the improvement is clearly the 30% jump in Soviet exports to Western Europe and Japan. In contrast, Soviet imports from those countries rose only about 20%.

The main reason for the growth in Soviet export earnings is as it has been for several years now, the sharp increase in petroleum prices. Preliminary data suggests that the overall physical volume of Soviet petroleum exports has diminished somewhat to Western Europe. However, that has been more than made up for by the increase in prices which took place in 1980. In addition, the Soviet Union increased its export of natural gas to Western Europe, and that also made a big difference. As a result, Soviet exports to Germany increased by almost 900 million rubles. France and Italy increased their imports by almost as much. In contrast, Soviet exports to England and Norway diminished. Presumably that is because neither country needs or imports Soviet energy.

As for Soviet imports, the only hard currency country which reduced its exports to the Soviet Union in 1980 was the United States. This was largely due to the embargo on grain exports, but undoubtedly the ban on the shipment of superphospheric acid also contributed to that drop. It should be noted, by the way, that American imports from the Soviet Union also fell. That is also due to the fact that ammonia imports were cut back as well as other items. In other words, the Soviet invasion of Afghanistan did little to inhibit those who wanted to sell to the Soviet Union. In fairness, it should be said that exports from Great Britain increased by only 140 million rubles, and from Japan, by only about 100 million rubles. By contrast, given the massive increase that took place from West Germany (500 million rubles) and from France (400 million rubles), it appears as if the British and Japanese did show some restraint.

The largest increase in exports to the Soviet Union of course came from Argentina. Their exports increased from about 300 million rubles to 1.2 billion rubles, almost a 900 million ruble increase.

THE RISING COST OF POSTAGE

For those of you who open up your letter and read this, you will notice that there is enclosed a postcard (postage prepaid)that, for the time being at least, will allow you to return the card to us if you are still interested in receiving this Newsletter. Because of the rising cost of postage, we are trying to eliminate those who don't read it. Obviously, if this letter is not opened, the postcard won't be seen, and sooner or later you will be dropped from the mailing list. But if you do read this, please help us out by returning the card, even if you no longer want to be on the mailing list. By filling out the card, we will have definite assurance that the letter was received and that taking you off the mailing list reflects more than that you were away on vacation.

The Russian Research Center takes no official stand on any economic or political matter. The views and analyses expressed in this Newsletter are those of the authors directly associated with the article in question; and, unless otherwise stated, with those of the editor, Marshall I. Goldman.

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1. Balance of Trade with Warsaw dbs 1977-79, July 1980
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6/10/81

HARVARD

RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

Vol. V, No. 10

June 3, 1981

INDUSTRIAL PRODUCTION FOR THE FIRST FOUR MONTHS OF 1981

Product	April 1981	Jan.-April 81	% of 1st 4 mos. of 81 over 80
Electricity (bil.kw.hrs)	109.0	469.0	102
Petroleum (incl. gas condens. mil. tons)	49.9	200.0	101
Natural Gas (mil.tns.)	38.1	155.0	107
Coal(mil.tns)	60.6	246.0	99.4
Steel(mil.tns)	12.8	50.9	100.4
Fertilizer (mil.tons)	2.2	8.9	105
Metal-Cutting Tools (mil.rubles)	169.0	678.0	106
Computer Tech. (mil.rubles)	.4	1.6	112
Watches(mils.)	6.0	22.9	102
Cement(mils.)	10.7	42.1	103
Meat (mil.tns)	.5	2.7	99
Margerine (1000 tons)	127.0	493.0	104
Motor Vehicles (1000s) cars	114.0	450.0	99.6
trucks	67.6	267.0	98
Tractors (1000s)	48.4	190.0	100.4

INDUSTRIAL PRODUCTION FOR THE FIRST FOUR MONTHS OF 1981

Industrial production in the Soviet Union continues to grow, but slowly. Compared to the rate of growth obtained for the first four months of 1980 over 1979, the results this year are not as good.

First a word about the results for the energy industries during the first four months of 1981. Oil production for April 1981 compared to April 1980 showed an increase of over 1.5%. This is a slight drop from the March figure, but it rounds off to 2%. Of more serious nature is the continuing drop in the production of coal. Last year, the first four months of the year showed that coal production was the same over the comparable four months of 1979. That has not been the case for 1981 over 1980. Similarly, electricity production in 1980 jumped 6%. This time it has increased only 2%. This difference can no longer be explained by the extra day in the Leap Year of 1980. Similarly, steel production was up by 2% in 1980 over 1979, while as this year it is up only .4%. Perhaps the most notable dip in production is truck production which dropped 1.6% in 1981 over the first four months of 1980.

Meat production for the first four months of 1981 apparently dropped by about 1% over the comparable period. This drop apparently was not as great as we had indicated in our last Newsletter. In addition, readers our urged to look at the letter from Ted Shabad who shows that the dip indeed was not as large as we had indicated earlier.

ALMOST EVERYONE LIKES A FREE NEWSLETTER

We have been very pleased with the response to the notice we sent out in last month's Newsletter about correcting our mailing list. So far we have received over 250 cards asking us to continue sending the Newsletter. Along the way we discovered job changes, firings, and a whole flood of suggestions about the Newsletter, mostly good

and some sobering. In any case, we are delighted with the response, and it seems clear that somebody other than the janitor is handling the mail.

For those who don't know what we are referring to, we are in the Soviet tradition "purging" our mailing lists. If you did not receive a postcard and are still desirous of continuing to receive this Newsletter, you should send us such a notice. This is the last time those who have not notified us will be kept on the list.

I should also offer a word to those who have written us with suggestions. We don't publish the footnotes as some of our academic readers have suggested simply because we try to keep this professional, but not unduly scholarly. If anyone is interested in more specific citations, they should feel free to write for either information or for corrections as Theodore Shabad has done in the enclosed Letter to the Editor. We also know that some academic readers do have access to their own Soviet sources, and as Keith Bush put it, he would prefer instead to have the space reserved for "your pithy analysis and commentary." We appreciate Keith's comments, and have reassured him that we will keep him on the mailing list, "pits" and all, but do plan to continue publishing our statistical tables.

Finally, one of our readers, Harold Berman of the Harvard Law School, took us to task for the editorial in last month's issue about the Soviet grain embargo. He felt it was inappropriate and incorrect. We had hoped that he would be able to write another letter to the editor, but unfortunately he was about to run off to China and thus had no time to elaborate his thoughts. Needless to say, if anyone else has similar views and is not going to China, we would be delighted to publish his or her views, either on the grain embargo or anything else.

FOREIGN TRADE STATISTICS

In addition to the analysis of Soviet trade with hard currency capitalist countries that we printed in the May issue of the Newsletter, we are this month publishing the 1980 trade figures of Soviet trade with Eastern Europe. The most notable change of 1980 over 1979 is that the Soviet trade surplus rose by almost 800 million rubles. This was accounted for primarily because of a 1.4 billion ruble increase in Soviet exports. Almost 600 million rubles of that export increase went to Poland. It should also be noted that imports from Poland to the Soviet Union fell by over 100 million rubles in 1980 from 1979. Poland was the only East European country to export less to the Soviet Union in 1980 than it did in 1979. Obviously this reflects the unsettled political and economic conditions in Poland.

The Soviet trade balance in 1980 improved over the 1979 balance in Soviet trade with Bulgaria, the GDR, and obviously Poland. The trade surplus deteriorated in Soviet trade with Czechoslovakia, Hungary, and in the case of Romania, Romania actually had a trade surplus with the Soviet Union, despite the fact that Romania had just begun to import petroleum from the Soviet Union.

CURRENCY FIGURES

Rubles Purchased Per 100:	May 80	April 81	May 81
Austrian shilling	5.040	4.720	4.650
U.K. pound	148.920	155.850	154.450
West German mark	36.000	33.130	32.750
U.S. dollar	65.200	71.600	71.600
French franc	15.430	14.040	13.830
Japanese yen	.266	.332	.337
Italian lira	.0770	.0666	.0657
Swiss franc	35.580	36.330	35.950

The currency exchange rates quoted by Gosbank for the month of May 1981 show a decrease in value for almost all currencies listed. Only the Japanese yen rose slightly during the month. The U.S. dollar remained constant.

SOVIET BALANCE OF TRADE WITH EASTERN EUROPE

	Exports from USSR		Imports to USSR	
	1979	1980	1979	1980
Bulgaria	3313	3660	3174	3439
Czechoslovakia	3363	3648	3183	3536
GDR	4217	4873	3917	4327
Hungary	2741	2982	2414	2757
Poland	3838	4406	3718	3596
Romania	1078	1350	1068	1441
	18,550	20,919	17,474	19,096
Balance of Trade	+1076	+1823		

LETTER TO THE EDITOR

Dear RRC Newsletter:

In the note on the results for the first quarter you suggest that the meat production figures, because of rounding of third-quarter results, may actually have dropped as much as 14% in March.

Actually, by adding up meat production for all the republics, using the first quarter results taken from republic newspapers, the rounding can be refined, and March results turn out to be considerably better than suggested:

	1980	1981	%
Third quarter (adding up republics)	2.18	2.13	98
January	.80	.83	103
February	.70	.63	91
March	.68	.67	99

The worst drop would thus seem to have occurred in February, aggravated by the shorter month, rather than in March.

Theodore Shabad
Editor
Soviet Geography - Polar Geography

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HARVARD

RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

Vol. V, No. 11

July 7, 1981

INDUSTRIAL PRODUCTION FOR THE FIRST FIVE MONTHS OF 1981

	May 1981	Jan.-May 81	% of first 5 mos. of 81 over 80
Electricity (bil.kw. hours)	101.0	570.0	102
Petroleum (including gas condens. mil. tons)	51.6	251.0	101
Natural Gas (mil. tons)	37.2	192.0	107
Coal (mil.tons)	56.0	302.0	99.2
Steel (mil.tons)	12.8	63.7	100.1
Fertilizer (mil. tons)	2.3	11.2	105
Metal-Cutting Tools (mil.rubles)	166.0	845.0	105
Computer Tech. (mil. rubles)	.4	2.0	113
Television Sets (mils.)	.7	3.3	107
Color T.V.s	.2	1.1	120
Paper (mil.tns)	.5	2.3	103
Watches (mils.)	5.5	28.3	103
Cement (mil. tons)	11.0	53.0	102
Meat (mil. tons)	.5	3.2	99.3
Margerine (1000 tons)	117.0	610.0	104
Motor Vehicles (1000s) cars	103.0	553.0	99.7
trucks	61.0	328.0	99.0
Tractors (1000s)	43.8	234.0	100.1

INDUSTRIAL PRODUCTION FOR THE FIRST FIVE MONTHS OF 1981

Industrial production for the first five months of 1981 continues at almost the same pace reported for the first four months of 1981. There seem to be no significant differences. Petroleum production continues to grow at about 1%. This is a bit of a drop from the first two months of the year, but not from the first four months.

The Soviets continue to produce less coal, automobiles, trucks, and meat, than they did last year. Overall, this can hardly be considered an exciting start for the new Five-Year Plan. The only industry which continues to do well is the gas industry where production continues to grow at 7%. These must be regarded as disappointing results.

RUSSIAN RESEARCH CENTER CONFERENCE MAKES THE NEWS

Included in this month's Newsletter is the report of our May 4th Conference on the Soviet Five-Year Plan. This was the conference at which it was disclosed that the CIA had raised its estimate of Soviet oil production for 1985. This made the news all over the world, beginning with Newsday, The Wall Street Journal, The New York Times, and the Washington Post, as well as an AP Dispatch. One never knows what will come out of these conferences. This is a hard-sell way of reminding you that the next conference is scheduled for November 2nd.

LETTERS TO THE EDITOR

Pierre Roederer writes to remind us that we have been cutting down the size of the industries covered in our table of industrial production. He particularly is interested in the figure for television production. We apologize for the omission. Every once in a while the Soviets rearrange their data, thereby making it difficult for us to compare what is published with what has gone before. Consequently, we omit it from the table. Our intention is to reinsert such data subsequently, but unfortunately our actions don't always keep up with our intentions. We have, however, reinserted some of the omitted industries. If others have such requests, please let us know.

MAY 4th CORPORATE SPONSOR CONFERENCE

On May 4, 1981, the Harvard Russian Research Center hosted a conference on the 11th Five-Year Plan. Those participating in the three panels of the day were: Abram Bergson of the Russian Research Center, Murray Feshback of the Bureau of the Census, Marshall Goldman of the Russian Research Center, John Hardt of the Congressional Research Service, Hertha Heiss of the Department of Commerce, James Noren of the Central Intelligence Agency, David Schoonover of the Department of Agriculture, Barney Schwalberg of the Russian Research Center, and Tibor Vais of the Russian Research Center.

The consensus of those participating in the discussions was that this Plan differs from previous Plans by its relative conservativeness and the absence of previously published data. The modest goals projected for most sectors of the economy reflect the Soviets' desire to curb the slowdown in growth rates, a trend which has been more pronounced in recent years. The Soviets themselves have termed the next five years a "transitional" period; implying that while they are looking ahead to long-term results, they fully expect the next few years to be difficult.

Abram Bergson, John Hardt, and James Noren discussed the Plan and its implications for the GNP and industry. Mr. Noren pointed out that the plan for industry represents a sizable gamble. The Soviets plan to hold down industrial investment while at the same time provide for the priority sectors, energy, metallurgy, and machine-building. A slowdown in the growth rate of capital stock is anticipated, and investment is only growing at 2.8%. The Soviets are hoping that intensification through improvement of technological progress and planning methods will offset the costs of this slowdown. The Soviets are seemingly taking this risk so as to provide a basis for continuing their defense buildup, which is growing at the previous rate of 4.5%. It was suggested that if they are not successful in maintaining a minimal growth rate in the GNP, the Soviets may be forced to reassess this priority.

Heavy emphasis is also put on improving labor productivity in the 11th Five-Year Plan. The causes of the decline in labor productivity during the late 1970s has been attributed to spot shortages and bottlenecks (i.e., depending on other enterprises to make promised deliveries), alcoholism, an ineffective incentive system, and perhaps above all, planning errors which have exacerabted the above conditions. Widespread labor shortages represent one of the most major problems facing Soviet planners. What are the causes of this labor shortage, and is it in fact unavoidable? Tibor Vais of the Russian Research Center pointed out that at the time the labor plans are promulgated, supply and demand are in equilibrium. However, Gosplan often yields to pressures from industry for increased labor supplies without truly balancing the supply side. Labor supply figures, therefore, become the desired rather than the actual number. Demographic problems further affect this situation. The Soviets face a decline in the population of the working ages (males, ages 16-69; females, ages 16-54) due to a general decline in the birth rate and the effects of war. In addition, the labor force which is increasing relatively rapidly (e.g., Soviet Central Asia) is not located in areas where there are concentrations of raw materials and the potential for industrial growth.

The prospects for energy production remain one of the most controversial issues in Soviet economic planning. In particular, the question of petroleum has been debated by American and Soviet experts alike. James Noren announced at the conference that the CIA has revises its estimates of Soviet petroleum production from 8-10 million barrels a day by 1985 to 10-11 million barrels. However, Marshall Goldman of the Russian Research Center finds even this revised figure to be too conservative. He explained that although the Soviets did not do as well in petroleum production as they would have liked in the 10th Five-Year Plan, they nonetheless obtained an increase of 23%. The goal for the 11th Plan is more modest, 7% on a yearly basis, but already the Soviets are ahead of their target for 1981. Natural gas poses no real problem, particularly in light of the successful pipelines constructed in cooperation with the West. Overall, the emphasis in energy in the 11th Five-Year Plan will be on nuclear and hydro power.

The projections for agricultural growth in the 11th Five-Year Plan reflect the Soviets' awareness of increasing demands within the country for agricultural commodities. Supplying the population with food has been a perennial problem for the Soviets, and promises to be no less difficult in the years ahead. David Schoonover of the U.S. Department of Agriculture reported that crop production plans could be realized only if three major conditions are met: all resource plans are actualized; good advances are made in technology; and weather conditions are favorable. The coincidence of all three factors seems doubtful. Import requirements of grain are projected to be between 20-30 million tons, but any under-fulfillment of the Soviets' own grain plans would push this figure up in the 30-40 million ton range. Argentina, Australia, and Canada are likely to be major exporters of grain to the Soviet Union in the next five years. However, the future of grain trade between the U.S. and U.S.S.R. remains less certain; particularly as the present long-term contract expires this September.

Trade as an important sector of the economy was reaffirmed at the 26th Party Congress. Foreign economic relations were acknowledged as crucial to aiding the Soviets in meeting their needs for equipment, technology, and consumer goods. The lack of hard currency has been a primary constraint in the past on the Soviets' ability to import from the West. However, for the first time in many years, this year the Soviets realized a trade surplus with the industrial West.

Ellen Lapenson

CURRENCY FIGURES

Rubles Purchased Per 100:	June 1980	May 1981	June 1981
Austrian shilling	5.100	4.650	4.440
U.K. pound	152.500	154.450	147.650
W. German mark	36.340	32.750	31.400
U.S. dollar	64.350	71.600	75.400
French franc	15.590	13.830	13.210
Japanese yen	.290	.337	.336
Italian lira	.077	.065	.063
Swiss franc	39.210	35.950	35.770

/FLASH/ NEW SERIES OF SEMINARS

We have begun to plan for our new series of Corporate Sponsor Seminars. The first one is scheduled for November 2, 1981, Monday. As usual, it will be at the Harvard Faculty Club, 20 Quincy Street, Cambridge, Mass. The time is 10:00 a.m. to 4:45 p.m.

The beginning topic will be "Export and Import Controls in East-West Trade." We hope that at that time government policy will have been worked out, and we already have a commitment from several government officials in both the administrative and the legislative branches to come and present their views to us.

We will include the first draft of the program in our next Newsletter. In the meantime, please mark the date, November 2, 1981, Monday. Despite inflation, we anticipate that the enrollment fee will continue to be as it has been in the past, $100. Where else has the price level held constant since 1976?

DOLLAR INCREASES RELATIVE TO THE RUBLE

According to the bi-weekly announcement of Gosbank, the dollar relative to the ruble has risen to 75.4 rubles per $100. That makes the ruble equal to about $1.32. This is up from the low of 63.95 rubles per $100 or 1 ruble equal to $1.56 in February 1980. This is a rise of 18% in the value of the dollar. The dollar has not been so highly priced since September 1976, when you could get 75.25 rubles for $100.

Correspondingly, the value of most of the European currencies, with the exception of the Swiss franc, have fallen. The only two currencies other than the dollar that have risen are the Canadian dollar and the Japanese yen. Obviously the tourist in Moscow now should be able to obtain a better bargain than he or she did last year at this time, or even last month. This represents almost a 5% change in the course of one month since we last published our Newsletter.

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HARVARD

RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

Vol. V, No. 12

August 5, 1981

INDUSTRIAL PRODUCTION FOR THE FIRST SIX MONTHS OF 1981

Product	Jan.-June 1981	% of 1st 6 mos. of 81 over 80
Electricity (bil.kw. hours)	667.0	102.0
Petroleum (including gas condens., mil. tons.)	301.0	101.0
Natural Gas (mil. tons)	228.0	107.0
Coal (mil. tons)	360.0	99.4
Steel (mil. tons)	76.0	100.1
Fertilizer (mil. tons)	13.6	106.0
Metal-Cutting Tools (mil. rubles)	1039.0	106.0
Computer Tech. (mil. rubles)	2.4	112.0
Television sets (mils.)	4.0	108.0
Color Television Sets	1.3	121.0
Paper (mil. tons)	2.7	103.0
Watches (mils.)	34.2	104.0
Cement	63.9	102.0
Meat (mil. tons)	4.3	99.6
Margerine (1000 tons)	728.0	104.0
Motor Vehicles (1000s)		
cars	661.0	99.9
trucks	390.0	99.0
Tractors (1000s)	280.0	100.6

PRODUCTION FIGURES FOR THE FIRST HALF OF 1981

Production figures for the first half of 1981 show little change over what we reported for the first five months. Except for natural gas production, there is not much to be excited about in the Soviet Union. Coal, automoible, truck, and meat production continued to be below what they were in the corresponding period last year. Electricity generation was only 2% higher than it was last year, and petroleum production, although continuing to grow, is only 1% higher. June's production of petroleum increased by one million tons. That is the equivalent of a 2% increase, but that may reflect the rounding-off exaggeration. For the six months as a whole, production is up 1.3% over the first six months of 1980. That just about accords with the target that was set out for the whole year.

Although we do not include it in our figures in the accompanying table, the Soviets have also released their livestock herd figures. They show that the number of cattle has increased by about 800,000 head. The increase in the swine herd increased by about 900,000, whereas the number of goats and sheep is the same. There was, however, a significant increase of about 30 million chickens. Given the shortage of feed grains, the very fact that they held their own or increased slightly is quite an accomplishment.

A NEW STUDY ON SOVIET-AMERICAN RELATIONS

US-Soviet Relations: A Strategy for the '80s, report of a 29-member bipartisan panel headed by Governor William W. Scranton, puts forward 70 recommendations for a more balanced and realistic foreign policy approach towards the USSR. Chapters are devoted to security and political relations, bilateral and multilateral economic issues, interaction with the Third World, human rights, and diplomatic contacts. Also included are chapters on the Soviet and American world views and a review of the detente experience. Single copies $5.00; $4.00 if ordered in bulk for class use.

To order, see page 4.

GREATER ROLE FOR PRIVATE PLOTS IN SOVIET AGRICULTURE

Reflecting the great concern over the inadequate growth in agricultural production the Soviet government has decided to allow the peasants more freedom to work their private plots. Painful as it is, recent articles by Soviet economists remind the Soviet population that with less than 2% of the sown land, private plots in 1980 accounted for 31% of the country's meat, 58% of its fruits, 35% of its vegetables, and 64% of its potatoes. Given the fact that harvest and meat production have been so disappointing in both 1979 and 1980, the Soviet Union has clearly found it necessary to liberalize its rules regarding private agriculture if it is to avoid its ever-growing dependence on foreign imports.

Consequently, as Brezhnev announced at the recent Communist Party Congress, new measures should be taken to increase activity on the private plots. One of the things that is being done in response to Brezhnev's order is that the collective farms are in a sense subcontracting the growing of livestock to the farmers on their private plots. It has been discovered that the farmers can bring a cow or pig to full size with one-third the amount of feed grain that would be required to do the same thing with the collective farm herd. The reason is that the private farmer provides more care and attention to the livestock under his immediate control. Obviously such a step makes good sense, as long as you overlook the political consequences. Clearly those consequences can be overlooked in a time of stringency such as this when the Soviets find it very important to do something to revise and increase the flow of meat and grain to their foodstores

There is obviously no guarantee that this increased liberalization on the farm will continue. Presumably if and when the collective sector ever increases production, these privileges will be reduced, since even though the private plot uses one-third of the resources necessary for the collective sector, it does represent a diversion of resources from the collective to the private sector, and this is ideologically a very disruptive experience. Nonetheless, for the time-being at least, it does reflect just how serious the agricultural situation is in the Soviet Union.

BAD NEWS!

Foreign trade officials in the Soviet Union probably were not happy with what they found when the foreign trade figures for the first quarter were released. The balance of trade deficit increased sharply by over a billion rubles from what it had been the preceding year.

As a look at the accompanying table shows, the reasons for the difficulty is that Soviet exports in the first quarter were almost constant compared to what they were in the preceding year. This is a most unusual occurrence. Normally exports increase substantially each year. For example, from 1979 to 1980, exports in the first quarter increased over a billion rubles.

At the same time, imports in 1981 in the first quarter rose substantially by over a billion rubles. As a result, the trade deficit has become a problem again. If the trend should continue throughout the whole year, the Soviet Union would find itself with a real foreign trade balance headache. When combined with the fact that they have to make substantial hard currency grants to Poland, the Soviets are likely to have a hard currency problem which they haven't had for the last few years.

What accounts for the levelling off of exports? During the first quarter of 1981, the Soviets reportedly had to reduce natural gas exports because of increased need for natural gas at home. Interestingly enough, that does not appear to show up in their exports to Austria which is a major natural gas consumer. However, Soviet exports to West Germany barely increased and it is probable that the curtailment of natural gas exports had its greatest impact on hard currency earnings from West Germany. Another fact undoubtedly was the weakening

BALANCE OF TRADE - 1st QUARTERS 1979, 1980, AND 1981 (Million Rubles)

	Exports From USSR			Imports To USSR		
	1979	1980	1981	1979	1980	1981
Austria	71	131	189	66	72	137
Belgium	61	192	105	70	88	125
Great Britain	196	163	148	179	260	300
Greece	19	91	99	17	25	30
Denmark	27	44	31	38	23	108
Spain	28	46	65	38	31	131
Italy	196	366	474	228	216	247
Netherlands	74	234	189	71	61	158
Norway	10	12	20	12	19	20
Germany	281	465	477	627	840	722
France	196	424	485	309	470	468
Switzerland	27	73	15	80	125	181
Sweden	46	51	30	66	69	105
Japan	173	207	201	427	439	609
Subtotal	1405	2499	2528	2228	2738	3391
Sub-Balance of Trade				-823	-239	-863
USA	39	18	12	371	505	573
Canada	7	8	17	47	78	137
Australia	1	1	2	53	182	252
New Zealand	1	1	1	31	60	50
Argentina	11	11	12	32	190	349
Brazil	7	7	2	31	83	138
TOTAL	1471	2545	2574	2793	3836	4890
Balance of Trade				-1322	-1291	-2316

demand for petroleum. Since petroleum earnings constitute the largest share of Soviet hard currency exports, this drop has hurt not only the OPEC nations, but the Soviet Union as well. In light of the fact that actual tonnage export of Soviet petroleum to Western Europe for 1980 was substantially at the same level as it was in 1979 (this is contrary to reports in the general press which indicated a drop of 20% to 25%), when we obtain 1981 figures, we probably will find that there has been a dropoff of physical and ruble petroleum exports compared to 1980.

Finally, a look at the Soviet imports indicates that while imports from Western Europe did rise above what they had been in the preceding quarter for 1980, the biggest change took place in the importation of grain. While the cost of grain imports from the United States rose moderately, the biggest impact came in the purchase of grain from countries like Argentina, Brazil, Canada, and Australia. While we don't have the exact figures to prove it, there does seem to be a very strong intimation that total grain imports did not increase. This reflects the fact that the Soviets have probably had to pay a much higher price for the grain than they would have had to pay if they had bought it from the United States.

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HARVARD

RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

Vol. VI No. 1

September 3, 1981

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INDUSTRIAL PRODUCTION FOR THE FIRST SEVEN MONTHS of 1981

Product	July 81	Jan.-July 81	% of 1st 7 mos. of 81 over 80
Electricity (bil.kw.hrs.)	100.0	767.0	102
Petroleum (incl. gas condens., mil.tns)	51.7	353.0	101
Natural Gas (mil. tons)	37.1	265.0	106
Coal (mil.tons)	57.5	417.0	99.2
Steel (mil.tns)	12.3	88.3	100.2
Fertilizer (mil. tons)	2.1	15.6	105
Metal-Cutting Tools (mil. rubles)	159.0	1195.0	105
Computer Tech. (bil. rubles)	.4	2.8	113
Television sets (mils.)	.7	4.7	108
Color T.V.s (mils.)	.2	1.5	120
Paper (mil.tns)	.4	3.2	103
Watches (mils.)	5.9	40.0	104
Cement(mil.tns)	10.7	74.6	102
Meat (mil.tons)	.6	4.5	100.2
Margerine (1000 tons)	58.6	787.0	100.9
Motor Vehicles (1000s) cars	110.0	771.0	99.7
trucks	64.5	454.0	99
Tractors(1000s)	45.7	326.0	100.4

PRODUCTION FIGURES FOR THE FIRST SEVEN MONTHS OF 1981

The Soviets seem to be moving along slowly, but not always surely. It may just be a temporary development, but the rate of growth in the natural gas industry seems to have slowed a bit. Whereas for the first six months of 1981, natural gas production increased by 7% over what it had been in the first six months of 1980, production of July 1981 compared to July 1980, increased by only 5%. The overall rate for the first seven months showed a 6% increase, but the drop from 7% to 5% may be an indication of serious problems ahead if natural gas production is not increased in the future.

Oil production is just about on target. That means that the rate of growth continues to drop bit by bit. For July 1981 over 1980, production increased by only .8%, in other words, less than the full percent. However, for the seven months as a whole, production increased 1.4% which is a bit above target. More disturbing is the fact that coal production for July was a full 2% below what it had been for July 1980.

Overall the results then are not very gratifying. Production in several key industries was actually lower during the first seven months of this year than it was for the preceding year. Industries where overall production has declined include: coal, automobile tires, railroad locomotives, automobiles trucks, leather shoes, sausages, butter, vegetable oil, and motorcycles.

CORPORATE SPONSOR SERIES

Our sixth annual series of Corporate Sponsor Seminars gets underway November 2, 1981 at the Harvard Faculty Club, 20 Quincy Street, at 10:00 a.m. Enclosed is the latest copy of the program and also an application form. We expect to add another speaker from the Department of Defense to the program. We should be able to announce this in our next Newsletter.

THE SOVIET UNION COMES TO THE AID OF POLAND

Balance of trade figures for Eastern Europe for the first quarter of 1981 indicate just how much the Soviets have had to help out the Poles in foreign trade. Whereas in 1979 and 1980, the Soviet trade surplus with Poland amounted to about 30 million rubles, in the first quarter of 1981, the trade surplus jumped to 378 million rubles. Assuming that the figures do not change much for the rest of the year, that could mean that the Soviets will have to provide the Poles with approximately 1.5 billion rubles more than they receive. Given that the usual practice is that bilateral traders within Eastern Europe keep their exports and imports in balance with each other, this would be a most unusual departure for the Soviet Union.

The reason for the difficulty between the Soviet Union and Poland is because of a very sharp dropoff in exports from Poland to the Soviet Union. This has been widely reported in the press and is reflected in the fact that exports dropped by 165 million rubles in the first quarter of 1981 compared to the first quarter of 1980. From 1979 to 1980, exports rose by almost that much between the first quarters. This helps to illustrate how unexpected that drop in Polish exports was. No other country in the bloc recorded any drop in their exports to the Soviet Union. On the contrary, both exports and imports seemed to have increased at a reasonably steady rate. The only other exception were exports from the Soviet Union to Czechoslovakia between 1979 and 1980, and there the change was a very minor one.

The overall trade surplus of the Soviet Union with the other countries in Eastern Europe has not increased all that much, despite the increase in exports to Poland. The reason for that is that there was a big jump in exports from East Germany to the Soviet Union during the first quarter of 1981. What exactly is included in that figure will probably not be known until next year, but an increase of almost 300 million rubles in exports in one quarter over the similar quarter of the preceding year is atypical.

DOLLAR CONTINUES TO RISE IN VALUE

Reflecting the continued advance in the value of the dollar on world markets, the Soviets now show that the ruble is now worth only $1.32. As we noted earlier, that is a sharp rise from the $1.56 it was worth in February 1980, although it is only fractionally higher than it was in June and July of 1981. In their commentary on the causes of the high value, the Soviets freely acknowledge the very significant impact of high interest rates and they do indicate that this is being used as a device to hold down inflation.

CURRENCY FIGURES

Rubles Purchased Per 100:	Aug.80	July 81	Aug. 81
Austrian shilling	5.120	4.430	4.340
U.K. pound	150.600	143.700	137.330
W. German mark	36.390	31.230	30.240
U.S. dollar	64.350	75.700	76.300
French franc	15.670	13.100	12.670
Japanese yen	.296	.332	.329
Italian lira	.0768	.0626	.0613
Swiss franc	39.370	36.660	35.190

HAPPY BIRTHDAY TO US!

As amazing as it may be, and to us it is amazing, this issue marks the sixth year of our publication. That we have endured this long is hardly worth a celebration much less a birthday cake, but we can't let it pass without some sense of gloating. We have survived Soviet secrecy, Canadian mail strikes, budget cuts, a deterioration in American-Soviet relations, and just the press of life. We go on and there are even some of those who love us, not to mention those who read us. In any case, happy birthday, and we hope we can last another five years.

МЕЖДУНАРОДНАЯ ЭКОНОМИЧЕСКАЯ ХРОНИКА

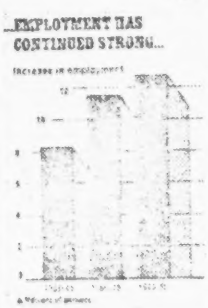
США: ПЛАЧЕВНЫЕ ИТОГИ

Журнал «Бизнес уик» опубликовал подборку данных, показывающих движение основных экономических показателей США за период с 1959 по 1980 год.

За эти 20 лет экономика страны претерпела серьезные перемены, потеряв остатки былого динамизма. Свидетельством тому является падение темпов расширения валового национального продукта (ВНП) со среднегодового уровня в 4,5 процента в период 1959—1966 годов до приблизительно 2,5 процента за последние семь лет. В 1980 году было в очередной раз отмечено прямое снижение ВНП на 0,1 процента, тогда как промышленное производство сократилось на четыре процента по сравнению с 1979 годом.

Публикуемые ниже диаграммы из журнала «Бизнес уик» показывают движение других основных экономических показателей США.

РАСТЕТ АРМИЯ «ЛИШНИХ ЛЮДЕЙ»

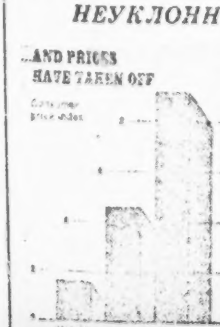


На диаграмме проводится сопоставление масштабов безработицы в течение трех последовательных периодов (как и на следующих диаграммах): 1959—1966 годы, 1966—1973 годы и 1973—1980 годы. Она основана на официальных данных и потому искажает реальную картину, поскольку не учитывает массу безработных, не зарегистрированных на биржах труда. Тем не менее даже на основе официальных данных видно, что в США идет неуклонный процесс расширения масштабов безработицы, которой в 1973—1980 годах было затронуто более 12 миллионов человек.

ОСТРЕЙШАЯ ПРОБЛЕМА США

Диаграмма касается самого острого, пожалуй, для современных США вопроса — темпов роста производительности труда. Так, среднегодовой темп ее роста — 3,5 процента в период 1959—1966 годов — снизился в 1973—1980 годах до едва заметных величин — десятых долей процента в среднем за год.

НЕУКЛОННЫЙ РОСТ ЦЕН



Эта диаграмма показывает движение розничных цен. Их рост усилился примерно с 1,5 процента в год в первом периоде до почти десяти процентов в год в третьем периоде. В 1980 году цены выросли на 13 процентов, а в первом квартале текущего года — еще на 10 процентов в расчете на годо-

THE ECONOMIC GAZETTE MAKES A BLOOPER

Far be it for an American to criticize a European for sloppy translation. We know as a nation how difficult it is for us to handle foreign languages. Yet when the Soviets are caught with a poor translation, it is too tempting to ignore, particularly when the mistranslation ends up proving the exact opposite of what they wanted to show.

Enclosed is a reproduction of an article from the Soviet journal Ekonomicheskaia Gazeta of July 1981, Issue 27, p. 23. They have reprinted some graphs from Business Week. Business Week is discussing some of the economic problems in the United States. The subscribers of this Newsletter who read English should be able to see that the graph at the top of the page is entitled "Employment has continued strong." It then shows that there has been an increase in employment from 1973 to 1980 of over 12 million new people. The Soviets, however, mistakenly translate that as an increase in unemployment. Thus in Russian, the graph is labeled "The Army of Surplus Workers Grows." They then assume that there has been an increase in unemployment of 12 million workers from 1973 to 1980. The other problems such as fall in productivity and an increase in prices are properly translated. It is nice, however, to find the Russians showing just the opposite of what they want to show. For readers in the Soviet Union who understand English and have good eyes, they may be surprised to see that Ekonomicheskaia Gazeta is publishing such encouraging news about the American economy.

SOVIET ECONOMIC SLOWDOWN

Abram Bergson, George F. Baker Professor of Economics at Harvard, and the former Director of the Russian Research Center, has written a major article on the Soviet economic slowdown. It appeared in the May-June issue of Problems of Communism. For those of you who are not subscribers and would like to receive a copy, write to us and we will be glad to send you a reprint. The Corporate Sponsors of the Russian Research Center will receive a copy of the article with this Newsletter.

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SOVIET BALANCE OF TRADE WITH EASTERN EUROPE
FOR THE FIRST QUARTER
(in million rubles)

	Exports from USSR			Imports to USSR		
	1979	1980	1981	1979	1980	1981
Bulgaria	850	894	1049	786	940	997
Czechoslovakia	869	850	1021	744	882	985
GDR	886	1120	1184	933	1046	1321
Hungary	667	689	782	538	580	785
Poland	817	977	1162	778	943	784
Romania	226	350	352	261	298	351
	4315	4880	5550	4040	4689	5193
Balance of Trade	+275	+191	+357			

THIRD CONSECUTIVE BAD HARVEST REPORTED

For the third year in a row, the Soviets report they have had a bad harvest. The offical harvest, of course, is not completed as of this writing, and in any event, it would be too early for us to have the official grain harvest figures for 1981. Nonetheless, both forecasts from our Department of Agriculture and from Soviet authorities themselves indicate that the harvest will be somewhere around 180-185 million tons. That follows on a harvest of 179 million tons in 1979 and 189 tons in 1980. For perspective, it should be remembered that the harvest in 1978 was 235 million tons, and it was planned that the harvest would be somewhat comparable to that this year.

What makes the third bad harvest in a row significant is that in the post-war era, this is the first time that the Soviets have had three bad crop years in a row. It has been hard enough for them when they have had two bad crop years, as in 1974-75. The political and economic implications of this remain to be seen, but Soviet leaders are bound to have some serious problems to contend with, not only during the coming year, but in the years ahead when they seek to resupply the food and production pipelines.

COMMUNICATIONS

Gur Ofer of Hebrew University informs us that in the August Newsletter, we neglected to indicate that the trade balance we show between the Soviet Union and the list of countries mentioned in the table refers only to the hard currency world. We apologize for that omission. We have tried to exclude in the reporting countries which are not hard currency countries. A few years back, we also received a letter from someone in Finland who felt we were not treating Finland properly by omitting it. As we explained then, no one, certainly not the Editor of this Newsletter, in any way wanted to upset the Finns. However, it happens that Finland conducts its trade with the Soviet Union on a bilateral basis, and with very few exceptions, no hard currency is exchanged. That is why Finland is omitted from the table. But to reemphasize the point that Professor Ofer made, the tables we publish about Soviet foreign trade, except for Eastern Europe, refer normally to the hard currency bloc.

The Russian Research Center takes no official stand on any economic or political matter. The views and analyses expressed in this Newsletter are those of the authors directly associated with the article in question; and unless otherwise stated, with those of the Editor, Marshall I. Goldman.

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HARVARD

RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

Vol. VI No. 2

October 2, 1981

PRODUCTION FIGURES

Product	Aug.81	Jan.-Aug.81	% of 1st 8 mos. of 81 over 80
Electricity (bil.kw.hrs)	100.0	868.0	102
Petroleum (incl. gas condens. mil.tons)	51.9	405.0	101
Natural Gas (bil.cu.m.)	37.8	303.0	106
Coal (mil.tns)	55.2	472.0	99
Steel (mil.tns)	12.0	100.0	100.1
Fertilizer (mil.tons)	2.2	17.8	105
Metal-Cutting Tools (mil. rubles)	166.0	1363.0	106
Computer Tech. (bil.rubles)	.4	3.3	114
Television Sets (mils.)	.7	5.4	109
Color T.V.s (mils.)	.2	1.8	121
Paper (mil.tns)	.5	3.6	102
Watches (mils.)	5.4	45.4	103
Cement (mil.tns)	10.6	85.1	102
Meat (mil.tns)	.7	5.2	100.8
Margerine (1000 tons)	75.2	862.0	103
Motor Vehicles (1000s) cars	103.0	874.0	99.2
trucks	60.3	514.0	98.0
Tractors (1000s)	43.8	370.0	100.3

PRODUCTION FIGURES FOR THE FIRST EIGHT MONTHS OF 1981

There is nothing particularly exciting about the production figures for the first eight months of the year, at least from the Soviet perspective. The basic figures are just about as they were reported in our September Newsletter. Certainly nothing has improved very much; if anything, the situation has deteriorated slightly. Petroleum production for August 1981 over August 1980 rose by .8%. That is about the same rate as we reported for July 1981 over July 1980. For the eight months as a whole, production increased by 1.3%, which is just about on target.

The situation in the coal industry, however, does seem to have become somewhat more serious. Even though production for the first eight months of 1981 over 1980 fell about 1%, the figures on a month-by-month basis indicate an even deeper dip. Thus production in August 1981 fell 5% compared to what production was in the coal mines in August 1980. Apparently the fall in coal production is now beginning to receive additional attention. After all, compared to 1978, production in 1980 had fallen by over 6 million tons. If the present trend continues, by the end of the year, the fall should be close to 10 million tons. In an attempt to put a halt to this deterioration, the Soviet government has announced a pay increase for Soviet miners. It will result in a pay increase as high as 27% for miners working underground. The hope is that this will induce additional effort and therefore result in increased production.

Similarly, production seems to have fallen in the automobile industry. Production in August 1981 is down 4% from what it had been in August 1980, and our readers may remember that production in 1980 was down 6% in 1980 over August 1979. This is obviously not a very happy situation. Truck production in August 1981 is down 5% from what it was in August 1980, and that in turn was down slightly from what it had been in August 1979.

The New York Times, Wednesday, September 23, 1981

Anita Siegel

The Kremlin's Grain Disaster

By Marshall I. Goldman

WELLESLEY, Mass. — Unlike President Reagan, Leonid I. Brezhnev probably has been having restless nights lately. In addition to a phone call or two about his over-eager military advisers in Southern Africa, the wild men in Poland, the falling rates of growth in his energy industries, and domestic distress over substantial increases in retail prices, the most serious source of insomnia probably has been agricultural shortcomings.

The Soviet Union finds itself with a disaster of unprecedented magnitude on its hands. This is the first time since World War II that it has suffered three serious crop failures in a row. After hitting a production record in 1978 of 235 million metric tons of grain, the harvest fell to 179 million tons in 1979, to 189 million tons in 1980, and is expected to reach no more than 175 to 180 million tons this year. It was bad enough when there were two failed harvests back-to-back as in 1953-54, 1959-60, and 1974-75.

Not expecting such a string of disasters, the Soviet Union apparently has already drawn down its always meager reserves. Because its economic system tends to de-emphasize the accumulation of inventory, the Soviet Union never has paid much attention to the need for grain elevators — and, after all, there never has been any need to store grain for three successive years.

The Kremlin leaders' first move will be to increase their already large grain imports. This will force them to rely heavily on the United States, a step they would rather avoid. They were hoping to penalize America for its limited embargo on the sale of grain after the invasion of Afghanistan: The Russians were trying hard to show that if we use economic tactics to hurt them, they will do the same to us. But there is virtually no one else left with enough grain. They probably will need at least 40 million metric tons — astonishingly, the equivalent of about 20 percent of their total grain needs. If anything, their biggest problem will be the lack of adequate port facilities. Even though they have been trying to increase ports' handling capacity, they still may not be able to handle much more than 37 million tons during the next crop year.

Considering that before the 1917 Revolution, Russia was the largest grain exporter in the world, such sizable import needs show further that Soviet agricultural policy has been a failure. Without foreign-grain imports, the Russians would have to slaughter their livestock for lack of feed. They would also end up with a bread shortage.

But while outside grain is essential, it is also costly. In 1980, the Soviet Union was forced to set aside about $4 billion, or about 20 percent of its hard-currency earnings, to pay for grain imports. The burden is likely to be even higher this year, especially because the country apparently has run into export problems. More than 80 percent of Soviet hard-currency earnings come from petroleum exports, and 1981 has not been a good year for countries with petroleum to sell. During the first quarter, the ruble value of Soviet exports was just about the same as in the first quarter of 1980 — usually there is some increase. By contrast, because of the very large jump in grain imports, Soviet imports rose by more than one billion rubles, or about $1.5 billion. As a result, in the first quarter alone, the Soviet Union registered a hard-currency trade deficit exceeding 2.4 billion rubles — about $3.6 billion. This is the first time that a first-quarter deficit has been so high. The likelihood is, therefore, that even if they can squeeze all the grain they need through their ports, the Russians will have a hard time paying for all the grain they want to import.

Yet they do not have much choice. They must import. For the last two years, they have been plagued by an unusual number of labor disputes and public protests in such places as Kiev, Odessa, Togliatti, Gorky, and Donetsk. Most of these outbursts have been linked to complaints about food supplies. Most frustrating of all, the Soviet Union finds itself virtually unable to prevent periodic crop failures. As it is, the Russians already have been diverting as much as 27 percent of their capital investment to agriculture, with little to show for the effort.

Clearly, Mr. Brezhnev's first priority is to find enough food to satisfy the country's basic needs. Even then, however, his problems probably will carry over for some years because it will take a long time to build up reserves and resupply the seed used up this year. Then, too, suppose there are other bad harvests? Because the situation is unprecedented and the likelihood of widespread food shortages so ominous, the leaders face uncomfortable times. They may even decide after three failures that some new leadership is required. Not that they need reminding, but their friends in Poland can tell them what happens when workers feel they have not been provided with enough food.

Marshall I. Goldman, professor of economics at Wellesley College and associate director of the Russian Research Center, at Harvard, has just completed a book on the Soviet Union's economic problems.

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TROUBLES IN THE AUTOMOBILE INDUSTRY

As we indicated in the selection on production figures, production of Soviet automobiles has been falling. This may help explain why it is that the Soviets have apparently begun to discuss with Western manufacturers the possibility of bringing Western technicians to remodel some of the Soviet automobile production lines, particularly the Moskvich line.

It is also worth noting that Soviet exports of automobiles have suffered. In figures which have just been published, it turns out that the export of Soviet automobiles in 1980 was only about 70% of what it had been in 1979. This undoubtedly reflects the fact that the Soviets have run into increased competition from the Japanese just like other automobile manufacturers. Conceivably the Russians are looking for help with their export markets as well. Since their total exports to the hard currency countries in 1980 amounted to only about 71,000 automobiles, an export drop of 30% doesn't amount to all that much in hard currency earnings for the Soviets. Nonetheless, by any standard it is a very significant drop, and doubtlessly it was not what the Soviets expected would happen.

ARDEN HOUSE

Preparations are moving ahead for our 6th Arden House Conference. The time will be a bit early this year. We have reserved Arden House for March 5-7, Friday night to Sunday afternoon. In addition to our usual format, we expect to have a special session with several of our former ambassadors to the Soviet Union. Mark your calendars. We hope to send our the program and application forms in the next month or so.

CURRENCY FIGURES

The currency exchange rates for Sept. 1981 show no dramatic fluctuations from the preceding month. Only the British pound and West German mark increased slightly in value. The U.S. dollar dipped slightly for the first time in several months.

Rubles Purchased Per 100:	Sept.80	Aug.81	Sept.81
Austrian shilling	5.080	4.340	4.340
U.K. pound	154.620	137.330	137.830
W. German mark	36.000	30.240	30.340
U.S. dollar	64.900	76.300	75.000
French franc	15.470	12.670	12.670
Japanese yen	.295	.329	.326
Italian lira	.0758	.0613	.0610
Swiss franc	38.980	35.190	34.940

The Russian Research Center takes no official stand on any economic or political matter. The views and analyses expressed in this Newsletter are those of the authors directly associated with the article in question; and, unless otherwise stated, with those of the editor, Marshall I. Goldman.

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